

(v) *Administrative Support, Account 12-35-00*, total of all 11-35-XX accounts branch to system.

(d) *General administrative.* (1) *Fringe Benefits, Account 12-61-00*, shall be assigned to the branch on the ratio that the total branch salary and wages in all 11-61-XX accounts bear to the system total salary and wages in all 11-61-XX accounts.

(2) [Reserved]

[43 FR 7624, Feb. 24, 1978. Redesignated at 47 FR 49581, Nov. 1, 1982 and amended at 48 FR 54241, Dec. 1, 1983; 52 FR 2709, Jan. 26, 1987]

§ 1152.34 Return on investment.

Return on investment for road property shall be computed according to the procedures set forth in this section.

(a) [Reserved]

(b) [Reserved]

(c) *Return on investment—road properties.* Return on investment—road properties shall be computed according to the following procedures:

(1) The investment base to which the nominal return element shall apply shall be the sum of:

(i) The allowable working capital computed at 15 days on-branch cash avoidable costs (on branch avoidable costs less depreciation).

(ii) The amount of current income tax benefits resulting from abandonment of the line which would have been applicable to the period of the subsidy agreement. (Conversely, if the railroad would incur an income tax liability from abandonment, the liability should be deducted from the investment base.) This information is to be furnished by the railroad and subject to audit by the person offering the subsidy.

(iii) The net liquidation value for the highest and best use for non-rail purposes, of the rail properties on the line to be subsidized which are used and required for performance of the services requested by the persons offering the subsidy. This value shall be determined by computing the current appraised market value of such properties for other than rail transportation purposes, less all costs of dismantling and disposition of improvements necessary to make the remaining properties available for their highest and best use and complying with applicable zoning, land use, and environmental regula-

tions. If rehabilitation has been performed along the line during any subsidy year and rehabilitation expenses have been paid by the subsidizer under 49 CFR 1152.32(m)(2), the investment base shall exclude the increment to the net liquidation value of the line caused by the rehabilitation project.

(d) Reasonable return. A rail carrier shall furnish to the Commission, and to any financially responsible person considering making a offer of a rail service continuation payment, a substantiated statement showing its current nominal cost of capital. The railroad's nominal cost of capital shall be the current before tax cost of capital, weighted to the capital structure, and adjusted for the effects of the combined statutory Federal and State income tax rates. This rate of return expressed as a percent, shall be calculated as follows:

(1) The railroad shall determine its permanent capital structure ratio for debt and equity capital such that the two numbers total 100 percent. This capital structure will be the actual capital structure of the railroad. If this calculation is not possible or also not representative because the railroad is part of a conglomerate, the debt-equity ratio from the Commission's latest Determination of Adequate Railroad Revenues will be used. However, if the debt-equity ratio for the railroad industry is used then the industry average equity and debt rate from the Commission's latest revenue adequacy finding must also be used in paragraphs (d)(2) and (d)(3) of this section.

(2) The current nominal cost of debt shall be determined by taking the average of all debt instruments (including bonds, equipment trust certificates, financial lease arrangement, et cetera) issued by the carrier in the most recent 12 month period. The debt cost calculated by this procedure is a before-tax rate and is not adjusted for inflation or income taxes.

(3) The current nominal after tax cost of equity shall be an amount equal to that which a prudent investor would expect to earn through investment in the market place. The current after tax nominal cost of equity is divided by 1 minus the combined statutory Federal and State income tax rates. This will

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develop the nominal cost of equity on a before tax basis.

(4) The current nominal before-tax cost of debt is multiplied by the current percentage of debt to total capital to obtain a weighted before-tax nominal cost of current debt.

(5) The current nominal before-tax cost of equity is multiplied by the current percentage of equity to total capital to obtain a weighted nominal before-tax cost of current equity.

(6) The results of paragraphs (d)(4) and (d)(5) are added together to determine the current nominal cost of capital.

(e) Holding gain (loss)-road properties. The railroad shall determine the holding gain (loss) that is projected to occur during the forecast and/or subsidy year.

[52 FR 2709, Jan. 26, 1987, as amended at 53 FR 45766, Nov. 14, 1988; 53 FR 49667, Dec. 9, 1988; 54 FR 18518, May 1, 1989]

§ 1152.35 [Reserved]

§ 1152.36 Submission of revenue and cost data.

The following information shall be submitted by applicant as Exhibit 1 to an abandonment or discontinuance application (§ 1152.22(d)) and shall be developed in accordance with the methodology established in §§ 1152.31 through 1152.35, as applicable. Such information, form and methodology shall also be used by an offeror of financial assistance to formulate a Proposed Subsidy Payment (§ 1152.27).

	Base year op- erations	Forecast year op- erations	Projected subsidy year op- erations
Revenues attributable for:			
1. Freight originated and/or terminated on branch.
2. Bridge traffic
3. All other revenue and income.
4. Total revenues attributable (lines 1 through 3).
Avoidable costs for:			
5. On-branch costs (lines 5a through 5k).
a. Maintenance of way and structures.
b. Maintenance of equipment.
c. Transportation

	Base year op- erations	Forecast year op- erations	Projected subsidy year op- erations
d. General administrative.	.....	.....	.....
e. Deadheading, taxi, and hotel.	.....	.....	.....
f. Overhead movement.	.....	.....	.....
g. Freight car costs (other than return on freight cars).	.....	.....	.....
h. Return on value-locomotives.	.....	.....	.....
i. Return on value-freight cars.	.....	.....	.....
j. Revenue taxes .....	.....	.....	.....
k. Property taxes .....	.....	.....	.....
6. Off-branch costs.	.....	.....	.....
a. Off-branch costs (other than return on freight cars).	.....	.....	.....
b. Return on value-freight cars.	.....	.....	.....
7. Total avoidable costs (line 5 plus line 6).	.....	.....	.....
Subsidization costs for:			
8. Rehabilitation ¹ .....	.....	.....	.....
9. Administration costs (subsidy year only) ².	.....	.....	.....
10. Casualty reserve account ².	.....	.....	.....
11. Total subsidization costs (lines 8 through 10).	.....	.....	.....
Return on value:			
12. Valuation of property (lines 12a through 12c).	.....	.....	.....
a. Working capital ...	XXXX .....	.....	.....
b. Income tax consequences.	XXXX .....	.....	.....
c. Net liquidation value.	XXXX .....	.....	.....
13. Nominal rate of return.	XXXX .....	.....	.....
14. Nominal return on value (line 12 times line 13).	XXXX .....	.....	.....
15. Holding gain (loss)	XXXX .....	.....	.....
16. Total return on value (line 14 minus line 15).	XXXX .....	.....	.....
17. Avoidable loss from operations (line 4 minus line 7).	.....	.....	.....
18. Estimated forecast year loss from operations (line 4 minus lines 7 and 16).	.....	.....	.....
19. Estimated subsidy (line 4 minus lines 7, 11 and 16).	.....	.....	.....

¹This projection shall be computed in accordance with § 1152.32(m).

²Omit in applications pursuant to §§ 1152.22 and 1152.23.

[53 FR 49668, Dec. 9, 1988, as amended at 54 FR 18518, May 1, 1989]